

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Subject: Comments Compliance Advice Letter to Establish the Multi-Family and Commercial Project Portion of California Solar Initiative Thermal Program Handbook, per Decision 10-01-022.

Cogenra Solar is a manufacturer of commercial solar cogeneration systems, with its headquarters in Mountain View, California. Cogenra Solar also develops commercial-scale solar hot water projects in the industrial and institutional sectors.

Cogenra Solar wish to submit the following comments to the Revised Program Handbook version published on May 24, 2010:

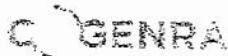
Section 3.3. Initial and True-up Incentive Payments for Multi-Family/Commercial Systems.

The proposed delay and true-up of the second half of the incentive payment has negative implications for commercial scale solar hot water project developers. Basing the second payment on performance data collected over 12 months makes the second half of the incentive payment from a variable amount in terms of the cash flows generated by the project, further increasing the risk profile of commercial solar hot water project for third party financiers or potential customers. Given the immaturity of the industry, neither third-party providers nor end-customer will be willing to absorb the financing risk associated with this payment, leaving the solar hot water project developer and/or installer as the most likely source for financing and guaranteeing the projected amount of the second 50% payment. This additional burden of financing and guaranteeing up to \$250,000 of incentive payments for at least 12 months will severely limit the number of projects that a developer/installer is able to contract. Just the carrying cost of financing this second payment even if fully paid will amount to at least 10% of the balance (\$25,000 for a large project).

If solar Photovoltaic (PV) is a good example of sound policy in California creating an industry, then it should be remembered that PV incentives in California were initially paid up front (Self-Generation Incentive Program), with a step-down curve that resulted in lower installed costs over time. Third-party financing has been widely acknowledged as a key enable of growth for the PV industry over the last 5 years. A firm solar thermal incentive, calculated upfront to make sure it reflects the expected performance of an installation, and paid upon commissioning of the project, would make commercial solar hot water projects much more attractive for third-party financiers than the true-up payment approach proposed in the Handbook.

Section 2.2.2.2 Multi-Family/Commercial End Users

The proposed eligible end uses of hot water in the first paragraph of this section seem very limiting. There are industries outside of the ones cited in this paragraph (i.e. Digester heating in Waste Water



Treatment Plants, hot water usage in production of beer, wines and spirits, and uses of hot water in the pharmaceutical industry) that currently use boilers and natural to heat water for its processes, and should be eligible for the program.

Section 2.2.3 Ineligible Technology and System Applications

Paragraph (g) of this section specifically identifies process heat applications as not being eligible for the program. Again, we find this description broad, restrictive and inconsistent with the objectives of the program. Process heat applications using hot water, where a solar hot water system displaces the use of natural gas and its associated emissions should be eligible for the program rebates.

Section 4.3.1 Step No. 1: Submit Reservation Request Form Package

One of the requirements for submitting a Reservation Request Form Package is system sizing calculations to be reviewed and signed by a Professional Engineer (PE). Although system sizing calculations should be reviewed by a PE, this step adds both money and time to the reservation process. We suggest that the requirement of PE review/signature for system sizing calculation is deferred to Step No. 2 in the process – Proof of Project Milestone Package.

Section 4.3.1.1. Application Fee Process

In order to include non-flat plate technologies, we suggest that Table 9 is structured based on Expected Therms Displaced Per Year, instead of square footage of collectors.

Section 4.3.2 Step No. 2: Submit Proof of Project Milestone Package

For commercial-scale project, it is likely that the contracting process (terms and conditions of final contract, third-party financing) will take longer than the 60 days proposed. We propose a 90-day period for completing Step 2, after the date the conditional reservation is issued.

Cogenra Solar would like to thank the Commission and Program Administrators for the progress being made in finalizing the Commercial portion of the program, and look forward to a successful completion of this process.

Best Regards,

A handwritten signature in black ink, appearing to read 'Stephen Torres'.

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Re: Comments – Commercial SHW Program **cc:**

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Attached are Cogenra's comments to the proposed Commercial Solar Hot Water Program.
An electronic copy was also filed today.